



Green

Fair Reward for Fair Effort

Green Party election priority

*Cleaner Environment
Fairer Society
Smarter Economy*

Introduction3
Summary5
Situation6
Solution9
Benefits..... 15

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Introduction

The Kiwi dream was built on the idea that if you work hard, and do your fair share, your income will rise consistently and you will have what your family needs for a good life. For many New Zealanders that dream isn't a reality. But we can change that.

Over the past few decades, the link between the effort people put in and the reward they get back has been broken. Despite working harder and smarter, workers are getting less and less of the benefits that their work creates.

For at least half of all New Zealanders – those on the bottom half of the income ladder – their incomes have failed to rise at all in the last six years under National.

The upshot of this is that more children are living in poverty as wages fail to keep pace with costs, especially rent. To make things worse, workers have lost some of the protections that once came along with a good job. They can be made redundant and have their lives turned upside down without any financial compensation. Under National, they can be sacked for no reason at all within 90 days of starting a new job.

Their jobs may be dangerous to their health or so insecure that they make planning a good life impossible. Increasingly workers have little or no say about their conditions at all.

It doesn't have to be this way. Government decisions eroded working conditions in the late 1980s and 1990s and drove children into poverty. And Government decisions can improve those conditions now.

The link between effort and reward can be restored, and incomes can improve so children have what they need to thrive. That is what happens when an economy is designed to work for the benefit of everyone.

The Green Party will restore balance to our workplaces, beginning a shift from a low-wage, low-trust environment to one where people get more of the rewards they have earned and have a say in what happens in their organisation.

This is about ensuring families earn enough for their children to thrive and that all New Zealanders are rewarded for their efforts.

As part of that we will also address Working for Families abatement mechanisms to ensure that parents keep more of what they earn. In order to build more work security, we will introduce a minimum redundancy package of four weeks' pay for all workers and other measures to ensure a more stable and secure working life.

As a basic principle of fairness, the wealth New Zealand generates should be shared evenly and to encourage that we will ensure greater transparency and accountability around the gap between top and bottom pay.

The Green Party will also give workers more control over issues like health and safety and encourage more cooperatives and social enterprises. We will stop aspects of casual work that exploit workers, while ensuring the welfare system meets the needs of those who have to work flexibly.



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Summary

The Green Party will:

1. Lift low wages with an \$18 minimum wage by the end of our first term and a Living Wage for core Government and contracted workers.
2. Create a minimum redundancy package of four weeks' pay for all workers.
3. Bring top pay back into line by opening it up to scrutiny and getting companies to report on the gap between top and bottom pay.
4. Create measures to boost bargaining power and make workplaces more democratic.

*In Government, we will **lift minimum wages** to \$18 an hour over time, while introducing a **Living Wage** for core Government and contracted workers*

Situation

Over the last few decades, New Zealand's economy has become low-wage, undemocratic, and unbalanced. The people suffering the most from that are our children.

Incomes in New Zealand have failed to keep pace both with what families need to get by and with the rewards and wealth generated by workers' efforts.

For children, this increasingly means going without. About half of all children in poverty have parents who work, and about 40 percent of poor kids have a parent in full time work.¹ This trend is increasing under National.

Work should be a solution to poverty, but the problem for families is that the economic settings of the past 30 years have made that less and less likely.

In short, the story of work in New Zealand over the last 30 years is that people are working harder and smarter than ever before but the rewards are going elsewhere. This is what is wrong with inequality.

If the average hourly wage had increased in line with all the extra value that New Zealand workers have generated since the early 1990s, it would have been \$36 today, not \$26.70 as it is, and the average worker would have been \$10,000 a year better off.²

The graph below shows New Zealand's national income (GDP) alongside the average hourly wage.³ Up until the early 1990s, when workers' rights began to be attacked, we had a relatively fair economy: as national income grew, so did the average hourly wage. But since then, a huge gap has opened up between the two.

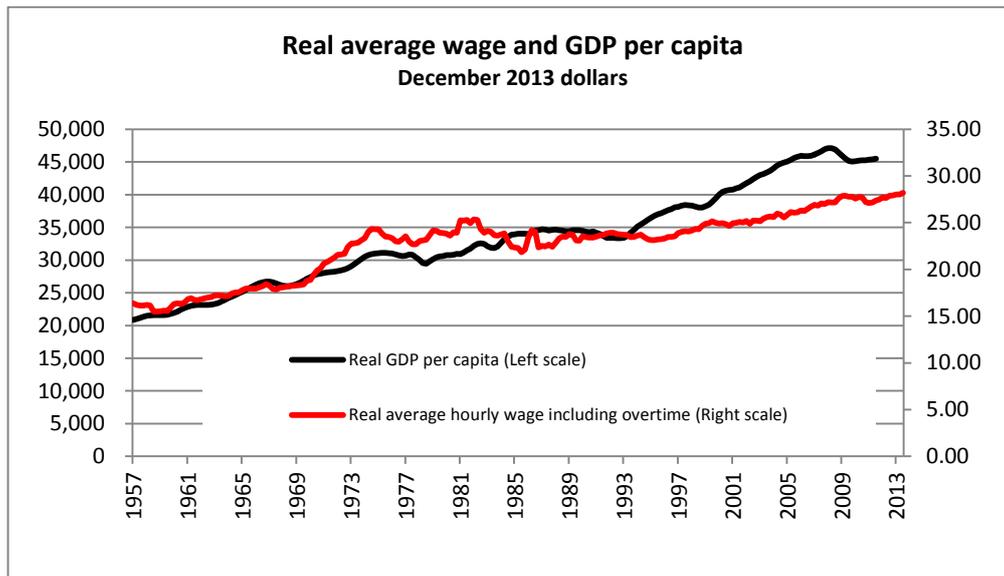


Figure 1: Average wage: average hourly wage including overtime, calculated using data from Statistics New Zealand. Source: GDP from Lattimore, R. G., & Eaquad, S. (2011).

What this shows is that a low-wage economy is not inevitable – it is just that the income is not being shared fairly. Conversely, salaries for Chief Executives have soared, despite little evidence that they have deserved such high levels of pay.⁴ This income inequality is not just bad for workers - it is bad for the economy.

The International Monetary Fund has acknowledged that economies with larger income gaps tend to perform worse.⁵ At the company level, big pay gaps demotivate staff, leading to reduced effort and worse performance.⁶ And at the national level, unequal economies are dangerously unbalanced, with large numbers of rich people whose spending stimulates asset bubbles.⁷

In addition, New Zealand's long-overdue shift to a high-skill, high-value economy will remain unachievable without the full effort of every one of its workers – effort unlikely to be forthcoming when their work is so poorly valued.

For workers, pay levels are only part of the problem. The erosion of employee rights and conditions over the last 30 years has left many workers with little opportunity to improve their prospects. For example, for workers with dependants, the 90-days 'sack at will' trial period that comes with any new job can prove too much of a risk for those hoping

for better jobs with better conditions. The effect is that low-wage workers get trapped in jobs with little prospects and bad conditions.

Precarious work poses its own unique problems. On the limited information available, at least 30 percent – and probably more likely 40 percent – of the workforce is either unemployed or in 'precarious' work (jobs that are badly paid, can be terminated at any time or changed at a few hours' notice, and make it impossible to plan a life outside work).⁸

Flexible work that suits both employer and employee is a good thing; precarious work that suits only the employer is not.

Precarious work is so widespread partly because so few workers have much bargaining power. Just 20 percent of the workforce is covered by a Trade Union.⁹

In addition, few workers have any meaningful say in what happens in their workplace. On key issues, like Health and Safety, ordinary staff have struggled to have their voices heard, and New Zealand has relatively few worker co-operatives and mutual companies.¹⁰

Solution

To restore fairness to our workplaces, the Green Party will introduce policies that will tackle low-pay rates, restore democracy to our workplaces, give workers more certainty and bring top pay back into line.

1. Lifting low wages

As a first step to restore workplace fairness, the Green Party will increase the minimum wage to \$15 immediately, in December 2014. We will then raise it in \$1 steps on April 1st each year, so that it reaches \$16 on April 1 2015, \$17 on April 1 2016, and \$18 on April 1 2017. This will help nearly 500,000 workers on low wages.¹¹ This will be good for workers and good for their employers, since the evidence shows staff who think they are paid fairly work harder and are more productive, increasing company revenue.¹²

The Green Party also supports the Living Wage Movement, which has established that a typical family needs a wage of \$18.80 to buy the basics and participate in society.¹³ In order to lead by example, the Green Party will pay the Living Wage to all core public service staff,¹⁴ and require all relevant Government contractors to pay a Living Wage when their contracts come up for renewal.¹⁵

We will also take immediate action on pay equity, by requiring companies to disclose their pay rates for male and female employees.¹⁶ We recognise there are significant issues with pay equity in particular sectors, including home support, care-giving, disability support, and DHB admin and clerical workers. We will work with those staff and their unions to establish pay equity over the medium-term. A significant boost to the minimum wage will also particularly benefit those workers. We also recognise the structural gender and ethnic pay gaps in the wider state services, and will set targets, once in Government, to address this.

2. Redundancy payments for all workers

As another major step towards a more stable and secure future for workers, we will implement recommendations from business, Government and unions for a statutory minimum redundancy payment for all staff equivalent to four weeks' pay.¹⁷

The Green Party will also require that all the employment agreements contain some redundancy provision, encouraging employers and staff to negotiate extra payments based on length of service.

These changes will give workers more stability, and discourage unnecessary restructuring. In the case of large-scale redundancies, we will also fund union delegates to work with staff for 3-6 months to support them through the transition.

3. Bringing top pay back into line

The gulf between what bosses in New Zealand's big companies earn and what their employees are paid is steadily growing.

In 2002, a Chief Executive's average pay was 15.2 times the national average worker's income.¹⁸ By 2010, when the Dominion Post started tracking the pay gap between the top 34 listed New Zealand companies, CEOs earned 21.9 times as much as their workers. By 2011, the pay multiple grew to 22.5 times and by 2012, the average CEO in the top listed companies earned 26.4 times their average employee.¹⁹

These pay gulfs are symptomatic of a 20-year trend that is seeing employees receive a decreasing share of returns as more goes to employers and investors.

Internationally this is increasingly being seen as a problem as countries wake up to the fact pay gulfs are bad for business. Many countries have laws creating transparency around pay by requiring organisations to disclose CEOs' salaries and report on pay gaps.

Bigger pay gaps within a company are associated with poor performance for a number of reasons. They drive a sense of

resentment and a lack of engagement among workers that causes staff turnover and causes a lack of engagement from workers who then feel less inspired to work hard. The best way to ensure that high pay is justified is to increase its openness and accountability, and link it to what other staff are getting.

In Government, the Green Party will require companies to disclose CEOs' salaries more clearly and provide detailed rationale for their pay decisions. We will also legislate for a staff member to sit on the committees that set executive pay.

The Green Party will require all New Zealand's large (publicly listed) companies to report on the pay ratio between their highest paid staff member and their middle and lowest paid workers. Also the Green Party previously committed that MPs' pay rises only when the average worker's pay does.²⁰

We will also incorporate pay ratios into Government procurement policies. Company performance depends on the work of all staff, so we will take steps to ensure that top pay rises only when all staff do better.

4. Boosting bargaining power

In the long-term, the most sustainable way to increase most workers' pay (and conditions) is to strengthen their bargaining power. The Green Party will work with the Union movement to see how the terms and conditions of unionised workers can be extended to others in their industries, whether through the Council of Trade Unions' Extension Bargaining model or other policies.

Alongside industry bargaining, the Green Party wants to increase the number of collective agreements negotiated with multiple employers and to ensure unions have better access to workplaces, among other issues. The Green Party will also reverse all of National's attacks on workers' rights, including youth (starting-out) rates, the 90-day period and the 'Warner Brothers' law.

5. Ensuring pay rises are passed through

At present, workers who receive pay rises then see much of that increase lost as their Working for Families and other payments are clawed back by the Government.

Since 2011, National has reduced the number of families who get their Working for Families payments in full without any claw back, increased the rate at which payments are clawed back, and failed to properly adjust for inflation.

This erosion of Working for Families has cost working parents around \$1.1 billion over the last three years, compared to how much they would have had if the scheme's costs had kept pace with inflation.²¹

These cuts are particularly damaging to families on low wages who rely on Working for Families to make ends meet. To ensure families get the full benefit of these minimum wage and Living Wage increases, the Green Party will ring fence any savings the Government makes from abatements to Working for Families payments and ensure families get more of the net increase.

Once in Government, we will establish the best way to implement this and to prevent further erosion of the scheme as described above. These policy changes, which will involve a careful re-examination of payment thresholds, abatement rates and indexation, will also be the first step in reversing National's under-the-radar attack on Working for Families.

6. Making the 21st century worker-friendly

In the 21st century, there are far fewer stable, secure jobs than in the past. Flexibility can be good if both businesses and staff want it, but people still need a base of stability. In Government, the Green Party will modernise the welfare system so it can respond quickly to changes in people's hours and pay, minimising disruption and ensuring no one is worse off because they are working flexibly.

In many cases, however, the work practices that have evolved are simply unacceptable, as they deny workers control over their lives and allow companies to dodge their responsibilities.

To tackle the unacceptable face of precarious work, the Green Party will introduce laws banning zero-hours agreements, as part of greater regulation of hours of work. We will also give workers greater ability to obtain rulings deeming them a permanent employee not a contractor or casual employee, and require companies to take more responsibility for the working conditions of staff employed by their contractors.

Workers often know better than anyone else the dangers of their workplace. New Zealand's Health and Safety environment, while improving, has too little input from workers. The Green Party will give workers a guaranteed place on the board of the new regulator, WorkSafe, and strengthen the role of workplace health and safety representatives.

Precarious work particularly affects migrant workers. The Green Party will ensure that migrant workers who report exploitation will have their visas protected while their claims are investigated, giving them the security they need to be whistle-blowers. We will also look at better resourcing the Labour Inspectorate and increasing its powers of enforcement.

7. Democratising work

The Green Party will increase funding for the current High-Performance Work Systems programme, which uses high levels of staff involvement to drive innovation, while ensuring greater union involvement, along the lines of the Public Service Association's Sustainable Work Systems programme.

This extended scheme will become part of Social Workplaces, a Government unit within the Ministry for Business, Innovation and Employment, dedicated to fostering more cooperative and democratic workplaces. This will include funding for advice, support and information on setting up a co-operative or social enterprise.

As above, the Green Party will give staff a greater say in workplace Health and Safety. Boosting union representation more generally will also empower staff to make their voice heard on workplace matters.

8. The just transition

The move to a more sustainable economy could in the coming decades destabilise carbon-intensive industries, with consequences in particular for low-paid workers.

The Just Transition is a set of policies to ensure that the shift towards a more sustainable society sustains and creates decent jobs and livelihoods for all.

In Government, the Green Party will introduce legislation to ensure a strong voice for workers in the transition, better forecasting and planning around likely economic shifts, and a major investment in jobs retraining for affected workers. We will also ensure that the skills needed in a green, sustainable economy are part of education and training programmes for young people, as happens in Australia.²²

Benefits

By raising family incomes, improving working conditions and addressing Working for Families abatements we will make a serious dent in child poverty.

Raising the minimum wage to \$18 an hour will significantly boost the incomes of nearly 500,000 workers. A single person on the minimum wage will have \$125 a week or \$6,400 a year more in the pocket.²³ In the case of a family, we will ensure they get to keep a bigger portion of that wage increase by recalibrating Working for Families.

Moves to boost collective bargaining coverage and otherwise empower ordinary staff will give people a greater say over what happens in their workplace. Tackling precarious work, while simultaneously supporting positive flexible working, will help ensure that people are able to build the stable, secure lives they need to make a full contribution to society. Better pay, and more stable work, will make it easier for people to stay healthy, look after their children, and volunteer with local community groups.

While these policies will benefit all workers, they will make the biggest difference to those groups disproportionately represented among low-paid workers, including women, Māori, Pasifika, migrants and people with disabilities. Māori, for instance, make up 12 percent of the workforce but 16 percent of minimum wage workers.²⁴ These groups are also more likely to be in precarious work.²⁵

Increasing fairness around high-pay rates will free up income to reward low and middle paid staff and help motivate workers to do their best.

In general, a more equal economy will make better use of everyone's talent. Low and middle income families have more money to spend and stimulate the economy, and are better able to invest in their children – the next generation's workforce. Better paid staff are also more likely to work harder and develop their skills, providing a platform for the shift towards the high-skill, high-pay economy that New Zealand needs.

1. Costs

Increasing the minimum wage will cost \$1.1 billion over three years, owing to higher Government staffing costs, especially in the health sector.²⁶ However, that will be offset by increased tax revenue from wages of \$1.9 billion over three years.

Paying the Living Wage in core Government will cost \$23 million in the first year, with small subsequent rises likely as the Living Wage is increased annually, for a total of \$70 million over three years.²⁷

Therefore, the total cost of this package is \$1.2 billion over three years, and the offsetting revenue is \$1.9 billion, meaning that it will increase the Government's revenues by a net \$700 million.

Sources

- ¹ Bryan Perry, *Household incomes in New Zealand: trends in indicators of inequality and hardship 1982 to 2013*, Ministry of Social Development, Wellington, 2014
- ² Ibid
- ³ Rosenberg, *ibid*
- ⁴ Christopher Adams, 'CEO Pay Survey: Salaries stall for NZ's top bosses', *New Zealand Herald*, 8 June 2012, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10811482; Helen Roberts, 'Executive Compensation in New Zealand: 1997-2002', PhD thesis, Otago University, 2007
- ⁵ Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, 'Redistribution, Inequality, and Growth', IMF staff discussion note, February 2014
- ⁶ High Pay Commission, *Cheques with Balances: why tackling high pay is in the national interest*, London, 2011
- ⁷ Michael Kumhof, Romain Rancière and Pablo Winant, 'Inequality, Leverage and Crises: The Case of Endogenous Default', IMF working paper, November 2013
- ⁸ NZCTU, *Under Pressure*
- ⁹ Max Rashbrooke (ed), *Inequality: a New Zealand Crisis*, Bridget Williams Books, 2013, p.31
- ¹⁰ Independent Task force on Workplace Health and Safety, *The Report of the Independent Task force on Workplace Health and Safety*, Executive Report April 2013, p11
- ¹¹ NZCTU, *Under Pressure*
- ¹² NZCTU, 'Submission to the Minimum Wage Review 2013'
- ¹³ See www.livingwage.org.nz for more details
- ¹⁴ Here, 'core public service staff' refers to the 45,000 staff employed in the 29 main public service departments and the six non-public service departments, as listed by the State Services Commission (<http://www.ssc.govt.nz/sites/all/files/guide-to-central-govt-agencies-1jul14.pdf>)
- ¹⁵ 'Relevant' means those contracts providing a regular and on-going service to Government that could be delivered in-house in the normal course of business, such as cleaning, catering, rubbish collection or security. It would not apply to contracts for services that Government departments would never normally provide in-house, such as stationery. The Green Party expects competition between suppliers will ensure that any extra cost is largely absorbed within their profit margins. Overseas evidence shows most of the costs to companies are offset by productivity gains, leaving net cost increases at 3 percent or below. While it is not possible at this stage to establish the implications of this change for the Government's finances, the Green Party will in Government undertake an immediate review of all relevant contracts in order to establish what, if any, cost increases might result.
- ¹⁶ See the text of Green Party's Members Bill for more details: <https://www.greens.org.nz/bills/equal-pay-amendment-bill>
- ¹⁷ The Public Advisory Group on Restructuring and Redundancy, 'Restructuring and Redundancy', Wellington, 2008, available at: <http://dol.govt.nz/publications/research/restructuring-and-redundancy/restructuring-and-redundancy.pdf> (accessed 7 August 2014)
- ¹⁸ Pay gulf between boss and workers widens, Tim Hunter and Shane Cowlshaw 20/08/2011 [Stuff.co.nz](http://www.stuff.co.nz)
- ¹⁹ Bosses' pay rises outpace workers, Tim Hunter 06/10/2013 [stuff.co.nz](http://www.stuff.co.nz)
- ²⁰ See <https://www.greens.org.nz/press-releases/green-party-announces-new-mp-pay-policy> for more details

²¹ St John, 'Family incomes policy', p.6

²² Paul Dalziel, in Rashbrooke, *Inequality: A New Zealand Crisis*, pp.193-4

²³ Currently, someone on the minimum wage of \$14.25 makes \$29,600 before tax if working full-time, or \$25,400 after tax. On \$18 an hour, they would make \$37,400 before tax, or \$31,900 after tax

²⁴ Ministry of Business, Innovation and Employment, 'Regulatory Impact Statement for Minimum Wage Review 2013', Wellington, 2013, p.15

²⁵ NZCTU, *Under Pressure*

²⁶ Figures derived from Parliamentary Library calculations based on Ministry of Business, Innovation and Employment, 'Regulatory Impact Statement for Minimum Wage Review 2013', Wellington, 2013, assuming a straight-line increase in costs and revenues as the minimum wage is progressively raised to a level near the current Living Wage.

²⁷ Based on independent costings. Paying the Living Wage would likely create offsetting revenue (not modelled here) from increased GST and income tax.